

Summary - 457 Plan

Broad Fund Summary

The selection of fund options is broad and well diversified. In March 2002 the State's Board of Directors decided to limit investment options offered within the 457 Plan to 20 with the directive that the change will occur by May 1, 2003. The options approved by the Board are as follows: one stable value option; two fixed income options; two balanced options; four large cap options; two mid cap options; two small cap options; two global options; two international options; and three asset allocation funds. In order to provide diversification in the line-up, each equity asset class consists of one value fund and one growth fund option. In addition to the growth and value options, the large cap asset class provides one index fund, one blend fund, and a socially responsible fund. The fixed income options consist of one total return fund and one high yield fund.

Below is the fund line-up for the 457 Plan as of December 31, 2003. The State met its objective of reducing the number of investment options. The addition of a socially screened fund brought the total to 18 single investment options and five asset allocation funds for a total of 23 options. If the State utilized three pre-mixed portfolios rather than the five FutureFunds, the Plan would be closer to its objective of a total of 20 options. Arnerich Massena believes the current line-up of single funds adequately covers all asset class and style requirements without excessive duplication. Please see the data sheets in Section Three for more detailed recommendations.

Fixed Income Funds

- State of Montana Stable Value -- PIMCO Fixed Fund -- Retain
- PIMCO Total Return Admin -- Retain
- Columbia High Yield -- Place on watch

Balanced Funds

- Dodge & Cox Balanced -- Retain
- Janus Balanced -- Replace

Large Cap Domestic Equity

- Davis NY Venture A -- Retain
- Vanguard 500 Index Admiral -- Retain
- Fidelity Contrafund -- Retain
- Calvert Social Investment Equity A -- Retain
- TCW Galileo Select Equities N -- Retain

Mid Cap Domestic Equity

- Strong Opportunity -- Replace
- Artisan Mid Cap -- Retain

Summary - 457 Plan (continued)

Small Cap Domestic Equity

- Neuberger Berman Genesis Trust -- Place on watch
- RS Diversified Growth -- Retain

Global

- Janus Worldwide -- Replace
- Mutual Discovery Z -- Retain

International Equity

- Templeton Foreign A -- Retain
- Artisan International Investor -- Retain

Asset Allocation Funds Review

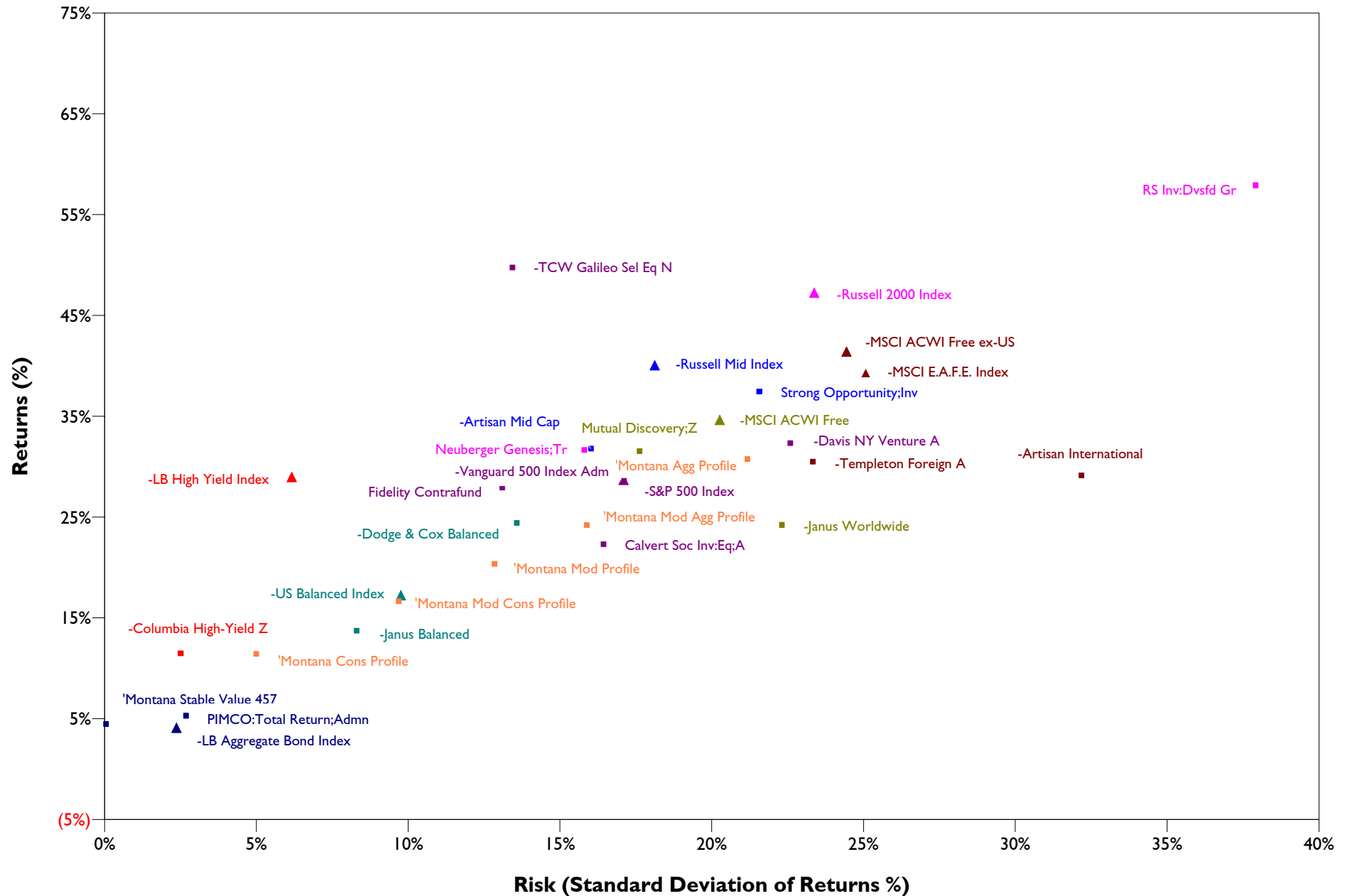
Arnerich Massena presented an asset allocation study to the State in December 2002 that recommended three pre-mixed portfolios within the asset allocation category. We believe these portfolios will better serve the participants in meeting their long-term objectives because the fund line-up for each portfolio is not based on the best performers in each asset class from the prior quarter. We believe the process used by Great West Life does not emphasize a long-term focus on creating portfolios that will perform well over long periods. The asset allocation funds were reviewed as entities, not as a sum of the parts, as the number of underlying fund options is large and apparently highly variable.

Conclusions

Arnerich Massena recommends replacing three funds - Strong Opportunity, Janus Balanced, and Janus Worldwide. Both Strong and Janus are implicated in the late-day trading mutual fund scandals. The underperformance as well as firm issues prompted us to recommend replacing them. Arnerich Massena recommended Columbia High Yield and Neuberger Berman Genesis Trust be placed on (or remain on) watch due to weak three-year Callan performance rankings. Columbia has also been in the press for questionable trading agreements. While these agreements were terminated a few years ago, the Firm is facing a potential penalty related to its Liberty (now Columbia) mutual fund group. Columbia High Yield has so far not been named in any regulatory complaints. Finally, we recommend replacing the Great West asset allocation funds with Arnerich Massena's three recommended pre-mixed portfolios presented to the Board in December 2002 for the reasons stated above.

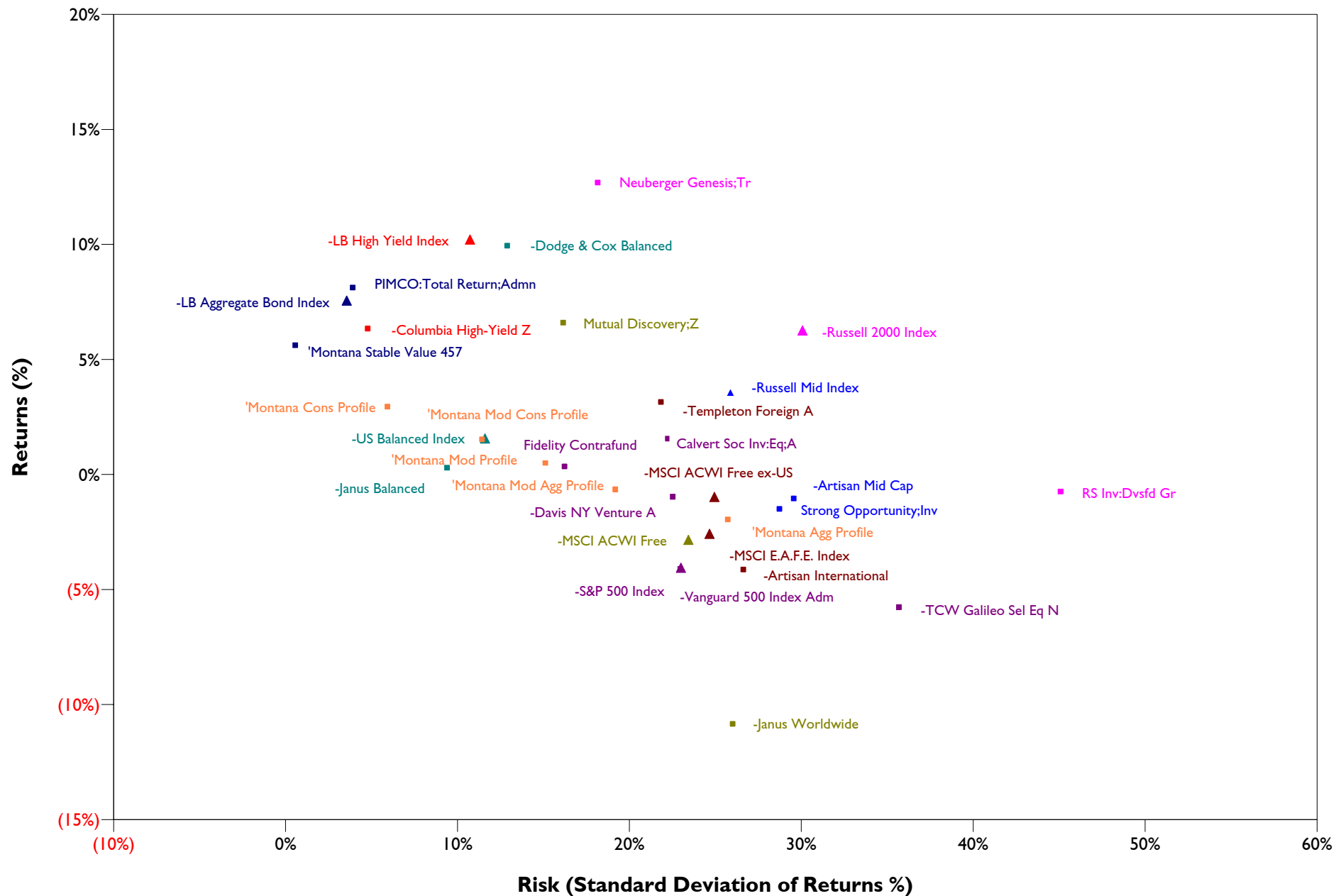
State of Montana Deferred Compensation Plan

Manager Risk & Return 1-Year Period ending December 31, 2003

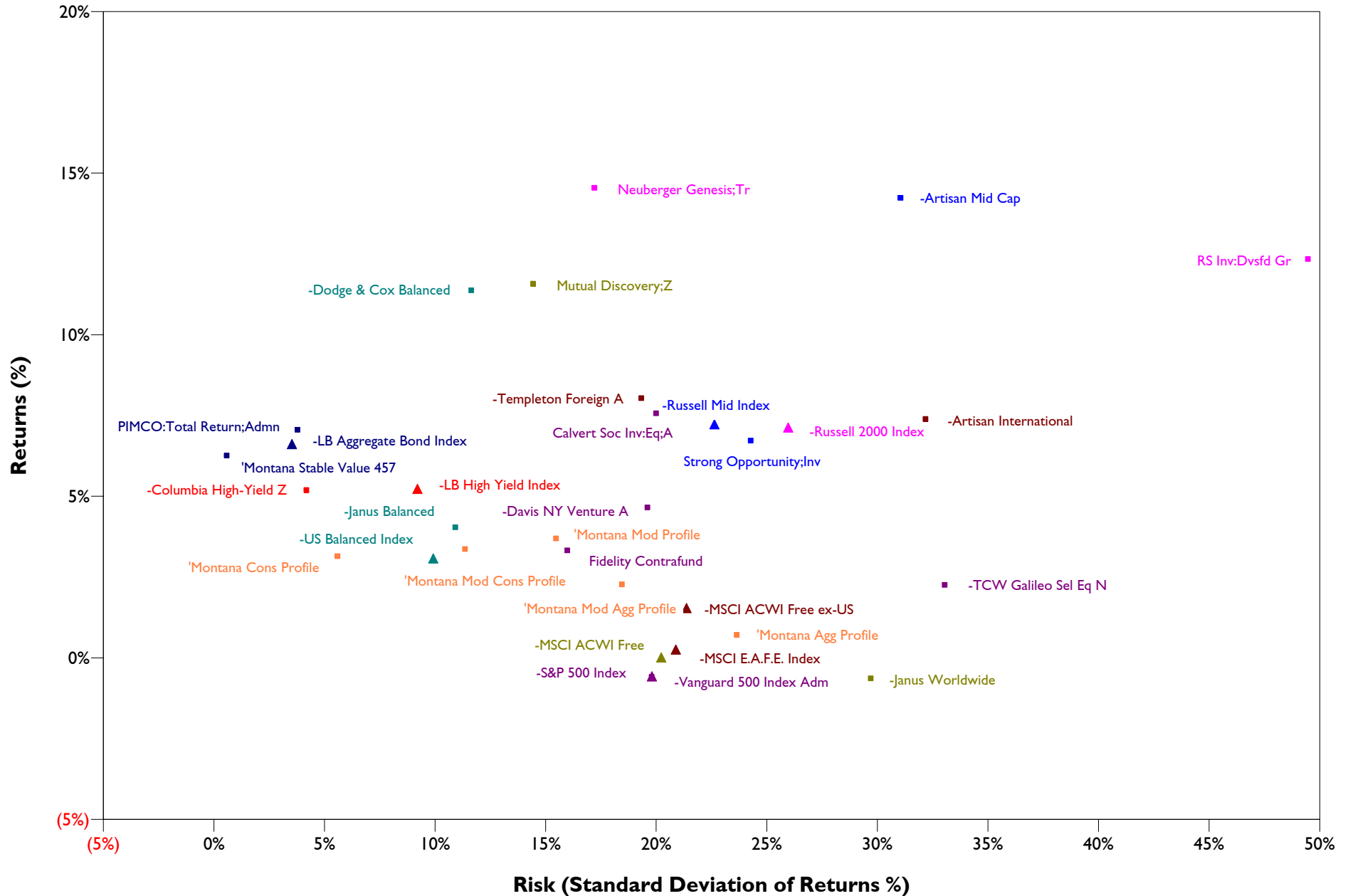


State of Montana Deferred Compensation Plan

Manager Risk & Return 3-Year Period ending December 31, 2003



State of Montana Deferred Compensation Plan Manager Risk & Return 5-Year Period ending December 31, 2003



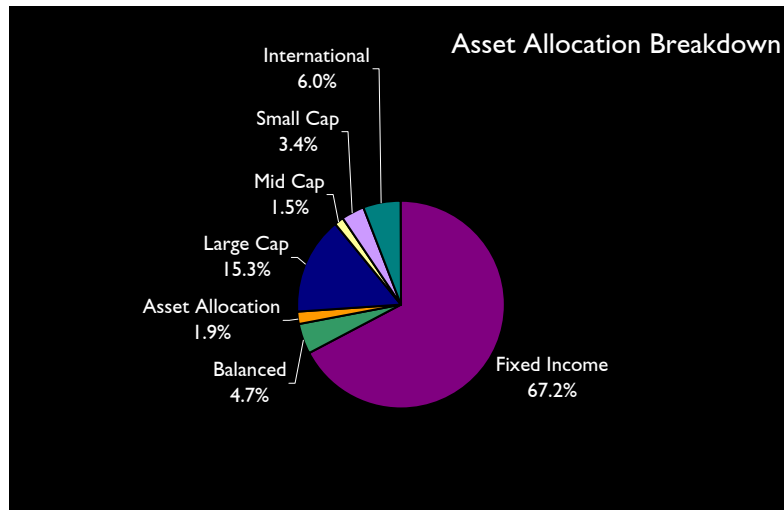
State of Montana Deferred Compensation Plan

For Period Ending December 31, 2003

Fixed Income		67.22%
Montana Fixed Fund	\$ 144,677,813	66.28%
PIMCo Total Return Adm	\$ 1,642,671	0.75%
Columbia High Yield	\$ 407,885	0.19%
FIXED INCOME TOTAL	\$ 146,728,368	

Balanced		4.74%
Dodge & Cox Balanced	\$ 7,392,802	3.39%
Janus Balanced	\$ 2,945,690	1.35%
BALANCED TOTAL	\$ 10,338,492	

Asset Allocation		1.94%
Conservative Profile	\$ 185,013	0.08%
Moderately Conservative Profile	\$ 408,069	0.19%
Moderate Profile	\$ 1,398,727	0.64%
Moderately Aggressive Profile	\$ 1,183,640	0.54%
Aggressive Profile	\$ 1,049,315	0.48%
ASSET ALLOCATION TOTAL	\$ 4,224,764	



Large Cap		15.25%
Vanguard 500 Index	\$ 11,377,733	5.21%
Fidelity ContraFund	\$ 10,620,615	4.87%
TCW Gal Select Equity "N"	\$ 1,817,371	0.83%
Davis New York Venture "A"	\$ 9,215,081	4.22%
Calvert Social Inv Equity	\$ 268,221	0.12%
LARGE CAP TOTAL	\$ 33,299,021	

Mid Cap		1.46%
Strong Opportunity	\$ 1,317,694	0.60%
Artisan Mid Cap	\$ 1,868,264	0.86%
MID CAP TOTAL	\$ 3,185,958	

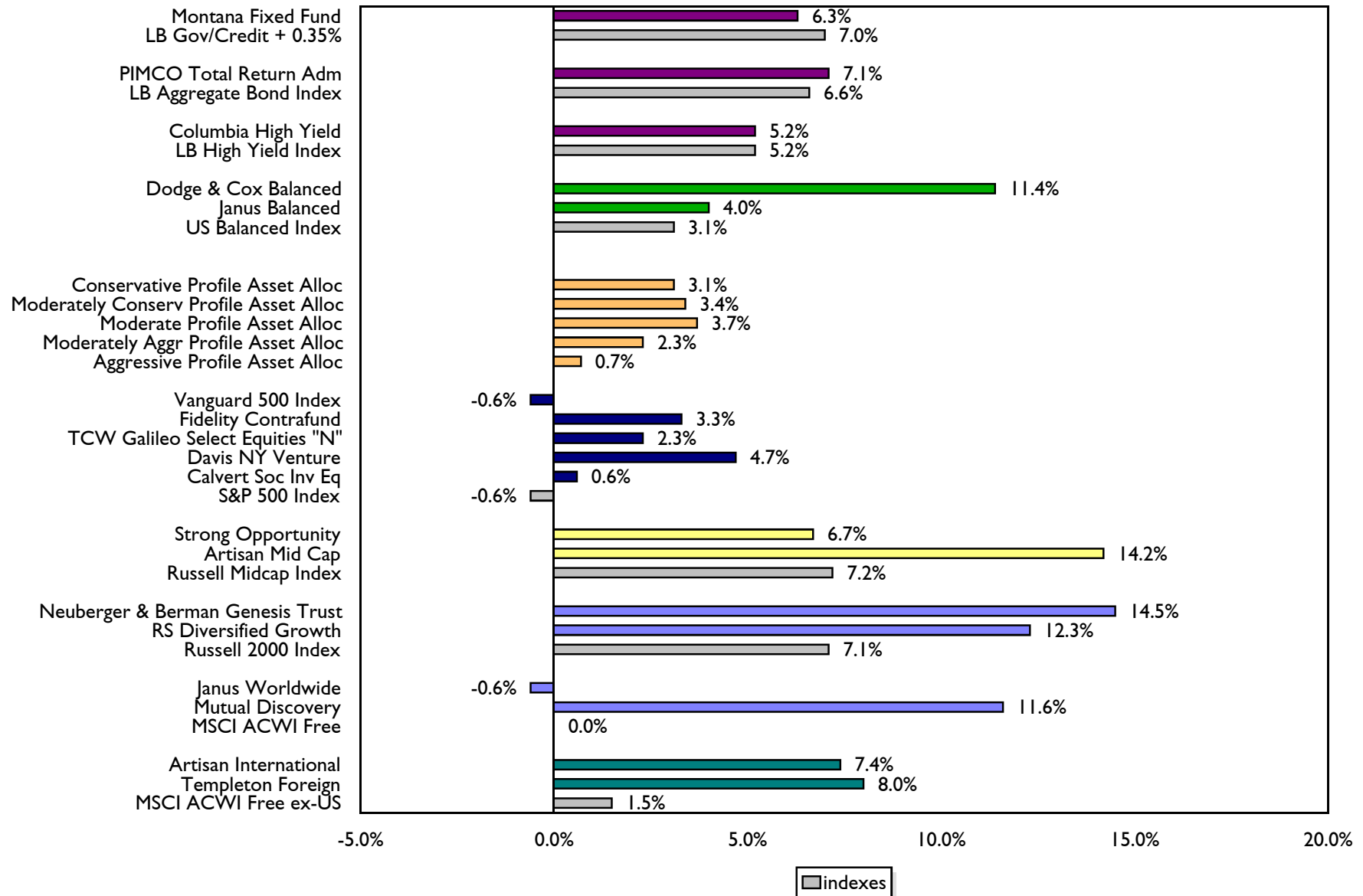
Small Cap		3.43%
Neuberger & Berman Genesis Trust	\$ 4,455,793	2.04%
RS Diversified Growth	\$ 3,029,316	1.39%
SMALL CAP TOTAL	\$ 7,485,109	

International		5.97%
Janus Worldwide	\$ 6,845,370	3.14%
Mutual Discovery	\$ 3,696,803	1.69%
Artisan International	\$ 571,225	0.26%
Templeton Foreign "A"	\$ 1,920,146	0.88%
INTERNATIONAL TOTAL	\$ 13,033,544	

TOTAL ACCOUNT \$ 218,295,256

State of Montana Deferred Compensation Plan

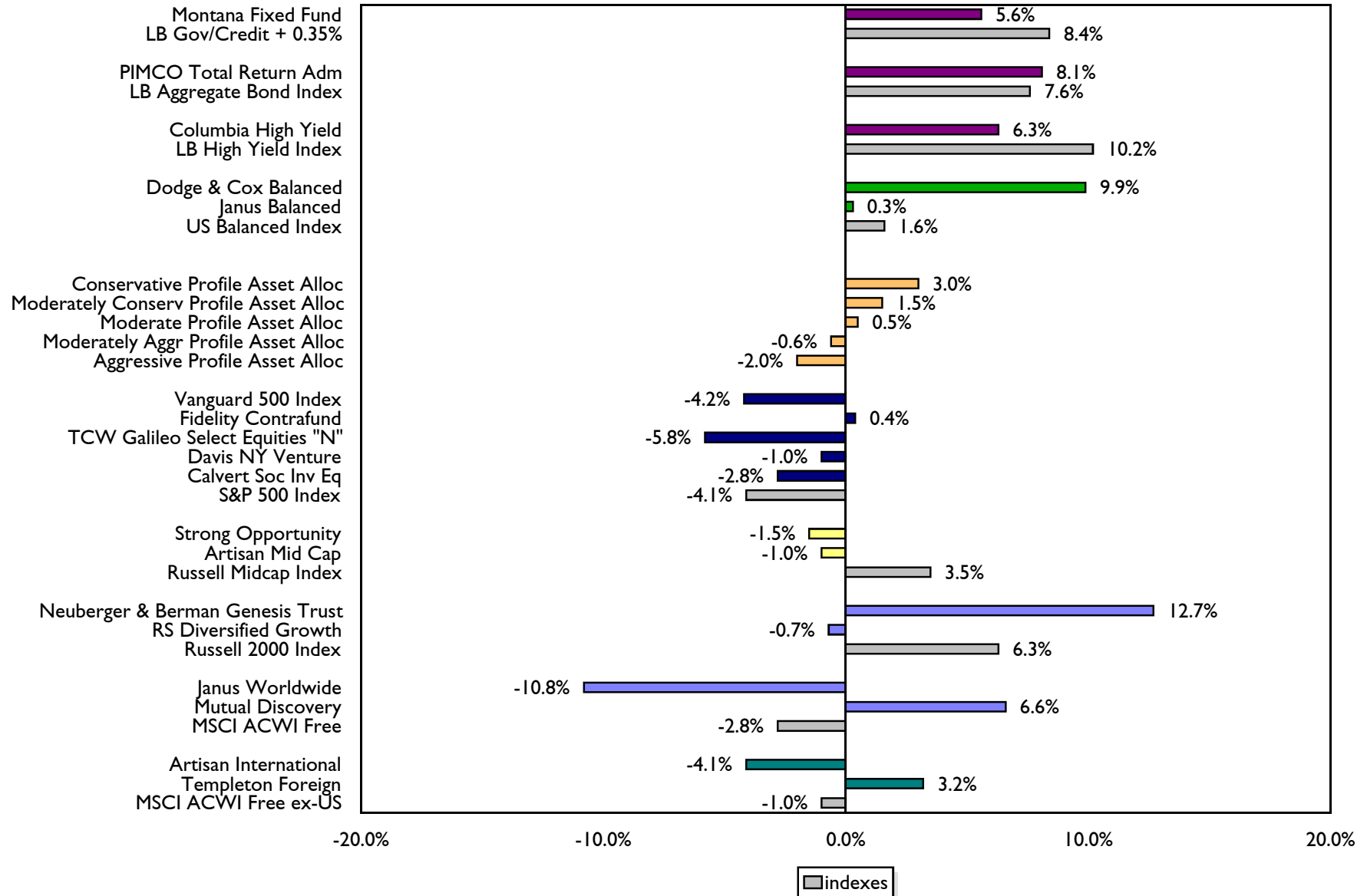
FIVE Year Performance for Period Ending December 31, 2003



Performance Results NET of all Investment Advisory Fees and Expense Ratio.

State of Montana Deferred Compensation Plan

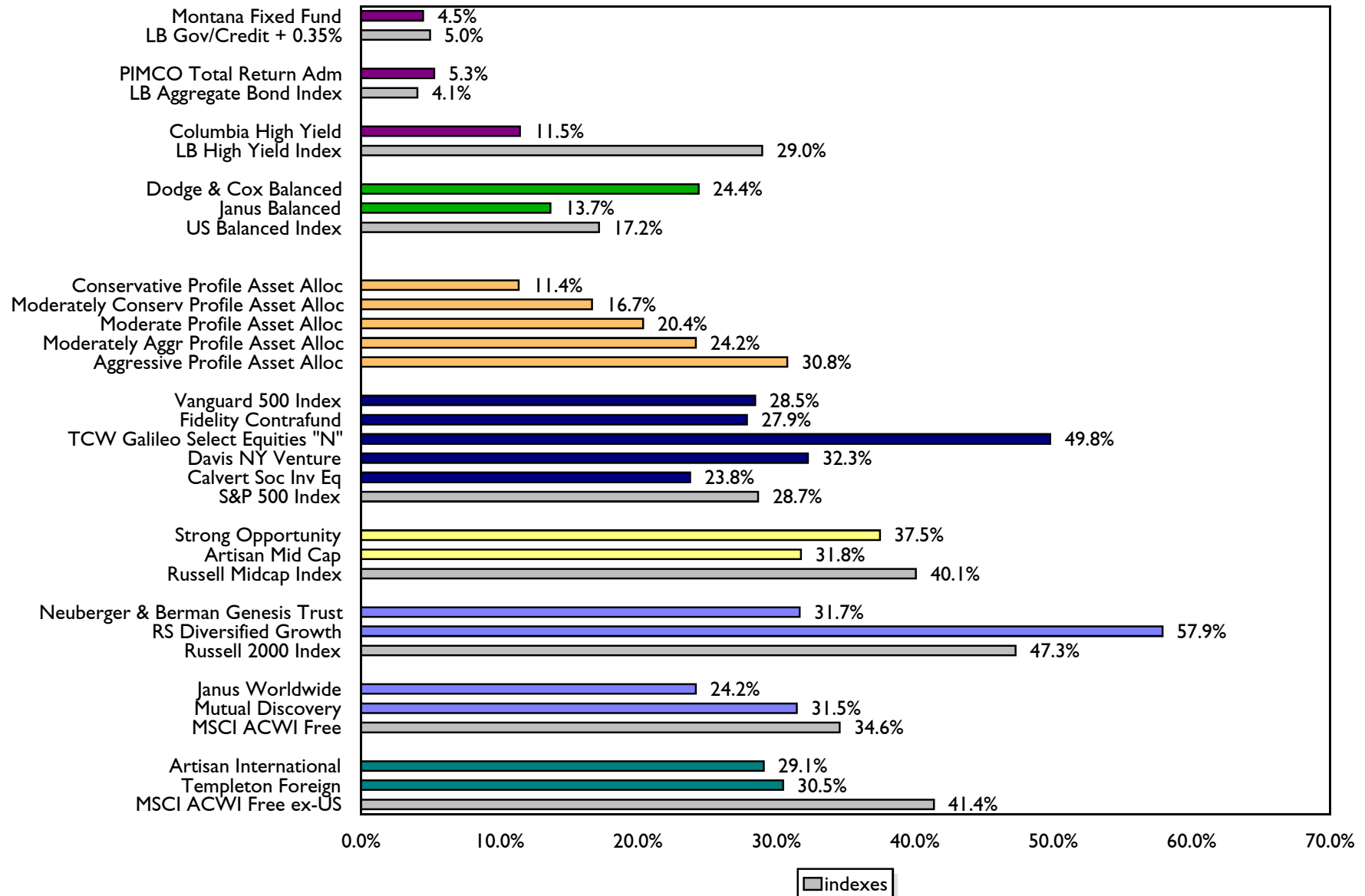
THREE Year Performance for Period Ending December 31, 2003



Performance Results NET of all Investment Advisory Fees and Expense Ratio.

State of Montana Deferred Compensation Plan

ONE Year Performance for Period Ending December 31, 2003



Performance Results NET of all Investment Advisory Fees and Expense Ratio.